

Old College Friends Do Not Generally Owe Fiduciary Duties To Each Other

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In *Gill v. Grewal*, the suit arose out of a failed business venture between old college friends. No. 4:14-CV-2502, 2020 U.S. Dist. LEXIS 104461 (S. D. Tex. June 15, 2020). Gill and Grewal attended college together in the late 1960s. After falling out of touch with each other for over thirty years, the two reconnected at a wedding. The day after the wedding, Grewal pitched Gill an entrepreneurial venture related to the healthcare industry. The parties then formed Healthema. After a dispute arose, Grewal sued his former friend for breaching fiduciary duties arising from the formation and operation of the business. Gill filed a motion for summary judgment, alleging that he did not owe any fiduciary duties to Grewal. The district court granted the summary judgment motion on this issue. The court stated:

Apart from formal fiduciary relationships, Texas courts “also recognize an informal fiduciary duty that arises from ‘a moral, social, domestic or purely personal relationship of trust and confidence.’” That being said, “[i]n order to give full force to contracts, [Texas courts] do not create such a relationship lightly.” “It has long been recognized that not every relationship involving a high degree of trust and confidence rises to the stature of a fiduciary relationship.” “[I]n the context of a business transaction, to impose an informal fiduciary duty, the special relationship of trust and confidence must exist prior to, and apart from, any agreement made the basis of the suit.” “Where the underlying facts are undisputed, determination of the existence, and breach, of fiduciary duties are questions of law, exclusively within the province of the court.”

Here, Grewal contends that he placed “‘complete’ trust in J. Gill based on their history of close friendship, and this high degree of personal trust was the reason he allowed J. Gill and S. Gill to maintain exclusive control over Healthema’s bank account while he was in India.” The extent of the personal relationship between J. Gill and Grewal is summed up in the affidavit by Grewal that accompanied his motion for summary judgment... Summarized, Grewal and J. Gill were college friends who kept in touch for a few years, then fell out of contact for thirty-five years. They reconnected at a wedding, and based upon a number of written contracts, Healthema was launched within two months of the duo reconnecting. J. Gill argues that these facts fall well short of creating a fiduciary duty, especially in light of the Supreme Court of Texas’s statement that it “do[es] not create such a relationship lightly.”

The Court agrees. While we all hope that our old college friends hold us in high regard, few would expect these long-lost friends to make their interests subservient to our own, much less following a thirty-five-year break in communication. Yet “[t]he effect of imposing a fiduciary duty is to require the fiduciary party to place someone else’s interests above its own.” For that reason, the Supreme Court of Texas has declined to “impos[e] a fiduciary duty based on the fact that, for four years, [the parties] were friends and frequent dining partners.” Moreover, “mere subjective trust does not . . . transform arm’s length dealing into a fiduciary relationship.” Therefore, “the fact that [Grewal] [completely] trusted [S. Gill] does not transform their business arrangement into a fiduciary relationship.” For those reasons, the Court also grants J. Gill’s motion for summary judgment on Grewal’s breach of fiduciary duty claims.

Id.

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